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FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 4383

INFO AMEMBASSY BANGKOK

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL NHA TRANG

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C O N F I D E N T I A L SECTION 1 OF 4 SAIGON 12406

E.O. 11652: GDS

TAGS: PINT PFOR ECON VS

SUBJECT: EMBASSY SAIGON'S MISSION WEEKLY, JULY 4-10, 1973

THE WEEK IN BRIEF

- WEEKLY CEASEFIRE REVIEW
- PRESIDENT THIEU SPEAKS ON VETERANS' DAY
- AN QUANG SELECTS A NEW SUPREME PATRIARCH, DEFERS ELECTION OF NEW RECTOR
- TEN LOWER HOUSE DEPUTIES REFUSE PARTICIPATION IN LOCAL ELECTION COUNCILS FOR SENATE ELECTION
- FINAL POSTING OF CANDIDATES FOR UPPER HOUSE ELECTION COMPLETED JULY 9
- GVN/PRG BILATERALS MARK TIME
- FOREIGN MINISTER OFFICIALLY LEAVES OFFICE
- NEW FRENCH AMBASSADOR PRESENTS CREDENTIALS
- AUSTRALIAN PARLIAMENTARY DELEGATION VISITS VIETNAM
- SEATO SECRETARY GENERAL VISITS VIETNAM
- GVN REACTS TO SENEGAL'S RECOGNITION OF PRG
- PRESIDENT THIEU TO TAKE ASIAN TOUR
- GVN ESTABLISHES EMBASSY IN JORDAN
- THAI FISHERMEN RETURNED TO THAILAND
- KHMER EMBASSY AIRS PHNOM PENH'S PROPOSAL FOR PEACE TALKS
- LE DUAN AND COMPANY ARRIVE IN MOSCOW
- DRV-POLAND SCIENCE PACT SIGNED
- HANOI REPORTS HUANG CHEN MEETING WITH PRESIDENT
- HANOI CONDEMNS GVN'S "SELL OUT" OF NATURAL RESOURCES
- AUSTRALIAN MINISTER IN HANOI
- PRG-YUGOSLAVIA SIGN AID PACT
- SENEGAL RECOGNIZES PRG
- PRICES UP SHARPLY
- BLACK MARKET CURRENCY AND GOLD PRICES

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- FRENCH ECONOMIC MISSION ENDS VISIT
- AID DONORS MEETING
- DIVESTITURE OF THE VIETNAM SUGAR COMPANY DEFERRED

I. INTERNAL

A. THE CEASEFIRE

ALL AREAS EXCEPT MILITARY REGION 2 SAW A CONTINUED DECLINE IN THE LEVEL OF VIOLENCE THIS WEEK. IN MR-2, THE HEAVY FIGHTING AROUND KONTUM ESCALATED WITH THE COMMITMENT OF ADDITIONAL ARVN FORCES AND A VNAF AIRSTRIKE JULY 2 AGAINST A COMMUNIST-HELD AIRSTRIPE. COMBAT ALSO STEPPED UP SOMEWHAT IN QUANG DUC AND BINH

DINH PROVINCES OF MR-2, AS THE COMMUNISTS RESISTED GVN EFFORTS TO EXTEND ITS CONTROL INTO AREAS HELD BY THE COMMUNISTS.

THE TWO CANADIAN ICCS OFFICERS ARE STILL MISSING IN PRG TERRITORY AFTER THIRTEEN DAYS, BUT ON JULY 9, THE PRG ADMITTED THAT THE TWO MEN ARE IN ITS HANDS, ALIVE AND WELL. NEGOTIATIONS CONTINUE ON THEIR RELEASE. THE PRG IS DEMANDING GUARANTEES FROM THE GVN THAT IT WILL HALT ALL ALLEGED "LAND-GRABBING" ACTIVITIES OVER A VERY WIDE AREA (1700 SQUARE KILOMETERS) SURROUNDING THE LOCATION WHERE THE TWO ARE BELIEVED IN CAPTIVITY BEFORE THE PRG WILL ALLOW "SEARCH" OPERATIONS TO CONTINUE.

A DEEPENING FINANCIAL CRISIS FACES THE ICCS; THERE IS NO INDICATION YET THAT THE PRG/DRV INTEND TO MAKE GOOD ON THE REMAINDER (THREE MILLION FRENCH FRANCS EACH) OF THEIR SECOND INTERIM FUNDING CONTRIBUTION WHICH IS NOW DUE.

THE TWO PARTY JOINT MILITARY COMMISSION (TPJMC) PRG ELEMENT DESPATCHED LIAISON OFFICERS TO HUE AND DANANG JULY 3. THIS IS THE FIRST INDICATION IN MONTHS THAT A PRG DEPLOYMENT TO FIELD SITES MAY BE IN THE OFFING. HOWEVER, A QUICK TRIP TO PLEIKU WAS CANCELLED WHEN THE PRG AND GVN FAILED TO AGREE ON TRAVEL ARRANGEMENTS.

A CASUALTY RESOLUTION OPERATION WAS CONDUCTED SUCCESSFULLY THIS WEEK IN KHANH HOA PROVINCE IN MR-2. AN OFFSHORE CASUALTY RESOLUTION OPERATION IS ABOUT TO BEGIN. IT WILL SEEK TO RECOVER AIRCRAFT AND REMAINS IN WATERS UP TO THIRTY FATHOMS DEEP OFF THE COAST OF THUA THIEN/QUANG NAM PROVINCES OF MR-1. THE REGULAR WEEKLY FOUR PARTY JOINT MILITARY TEAM (FPJMT) LIAISON FLIGHT TO HANOI, WHICH HAS BEEN STALLED SINCE THE JUNE 8 ON-BOARD FIRE INCIDENT, WAS CANCELLED AGAIN THIS WEEK BECAUSE THE DRV STILL CONFIDENTIAL

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REFUSES TO SIGN THE ROUTINE FLIGHT SAFETY STATEMENT.

B. PRESIDENT THIEU SPEAKS ON VETERANS' DAY

ON THE OCCASION OF THE JULY 9 CELEBRATION OF VETERANS' DAY, PRESIDENT THIEU DELIVERED A SHORT ADDRESS (SEE FBIS S091240 FOR FULL TEXT). HE HAILED THE VETERANS AND COMBATANTS "WHO FOUGHT OR STILL FIGHT" THE COMMUNISTS. PRESIDENT THIEU WARNED THAT "THE PEACE WE NOW HAVE IS NOT GENUINE, BUT UNSTABLE BECAUSE THE BELLICOSE AND BLOODTHIRSTY COMMUNISTS HAVE NOT YET RENOUNCED THEIR AGGRESSIVE AMBITIONS." PRESIDENT THIEU PROMISED THAT "WHILE OUR COMBATANTS ARE STILL FIGHTING AND WILL CONTINUE TO FIGHT TO SMASH ALL COMMUNIST ACTS SABOTAGING PEACE," IN THE "REAR" THE GVN WILL UNDERTAKE NEW ECONOMIC INITIATIVES TO "ENABLE THE VETERANS TO PARTICIPATE IN PEOPLE'S POSTWAR NATIONAL RECONSTRUCTION AND ECONOMIC DEVELOPMENT." HE PROMISED THAT "THE NATION WILL SHOW ITS GRATITUDE TO AND WILL COMPENSATE THOSE WHO HAVE SACRIFICED."

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USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

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C. AN QUANG SELECTS A NEW SUPREME PATRIARCH, DEFERS ELECTION

OF NEW RECTOR

ON JULY 8, THE AN QUANG UNIFIED BUDDHIST CHURCH (UBA)
SUPREME ECCLESIASTICAL COUNCIL (SEC) ELECTED 94-YEAR-OLD HUE VENERABLE

GIAC NHIEU AS SUPREME PATRIARCH, A POST VACANT SINCE THE FEBRUARY 25
DEATH OF THE FORMER INCUMBENT THIEN KHIET. CHOSEN AS GIAC NHIEU'S
PRINCIPAL ASSISTANT WAS ANOTHER CENTRAL VIETNAMESE BONZE, THE
VENERABLE

TRI THU. TRI THU'S SELECTION FOR THIS POST MAY BE VIEWED AS A
SUCCESS FOR THE "MODERATE" CENTRAL VIETNAMESE FACTION IN AN QUANG,
WHICH BACKED HIM FOR THE JOB WITH THE EXPECTATION HE WILL PROVIDE
THE ELDERLY SUPREME PATRIARCH WITH NON-RADICAL POLITICAL GUIDANCE.

THE SEC GATHERING ALSO SET DECEMBER 10 AS THE DATE FOR THE
NEXT BI-AM

UAL UBA NATIONAL CONVENTION, WHICH WILL FILL THE CURRENT
VACANCY IN THE POST OF RECTOR OF THE UBA HIGH SECULAR COUNCIL (HSC),
OCCUPIED SINCE FEBRUARY 13 BY ACTING RECTOR THIEN MINH, A CENTRAL
VIETNAMESE "MODERATE." THERE WAS CONSIDERABLE AGITATION DURING THE
SEC MEETING TO UNSEAT THIEN MINH. HOWEVER, THIEN MINH'S OPPONENTS,
WHO GENERALLY REPRESENT SOUTHERN, MORE RADICAL UBA ELEMENTS, FAILED
TO REPLACE HIM, ALTHOUGH THEY CLAIM THAT HENCEFORTH HE WILL ACT ONLY
IN A "CARETAKER" ROLE. THE MONTHS PRECEDING THE DECEMBER CONVENTION
WILL SEE MUCH CONTINUED INFIGHTING BETWEEN AN QUANG MODERATES" AND
"RADICALS."

D. TEN LOWER HOUSE DEPUTIES REFUSE PARTICIPATION IN LOCAL
ELECTION COUNCILS FOR SENATE ELECTION

ON JULY 3, TEN LOWER HOUSE DEPUTIES ISSUED A COMMUNIQUE
ANNOUNCING THEIR DECISION NOT TO ACCEPT THE INVITATION OF THE
ADMINISTRATION TO PARTICIPATE IN THE LOCAL ELECTION COUNCILS
WHICH WILL BE RESPONSIBLE FOR MONITORING THE AUGUST SENATE ELECTION.
(COMMENT: THE SENATE ELECTION LAW PROVIDES THAT ONE DEPUTY FROM
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EACH OF SVN'S 55 CONSTITUENCIES (44 PROVINCES AND 11 MUNICIPALITIES)
PARTICIPATE IN THE LOCAL ELECTION COUNCILS. THE ADMINISTRATION
SELECTED THE DEPUTY FROM EACH CONSTITUENCY WHO HAD RECEIVED THE
LARGEST NUMBER OF VOTES IN THE 1971 LH ELECTION. END COMMENT.)
THE ANNOUNCED REASON FOR THEIR NON-PARTICIPATION WAS THAT THE
PARIS AGREEMENT TACITLY RECOGNIZED THE PRG AND THE GVN AS PROVISIONAL
GOVERNMENTS IN THEIR RESPECTIVE ZONES OF CONTROL PENDING UNIFICATION
OF SVN THROUGH ELECTIONS ORGANIZED BY THE NCNRC. THEY CONDEMNED ANY
FORM OF ELECTION WHICH WOULD ADVANCE A "PLOT" TO CREATE TWO COUNTRIES
IN SVN, STRONGLY SUGGESTING THAT THE SENATE ELECTION FALLS INTO THIS
CATEGORY.

AN OFFICIAL SPOKESMAN ANNOUNCED ON JULY 4 THAT THE GVN
WOULD BE UNDETERRED BY THE REFUSAL OF TEN OPPOSITIONISTS TO PARTICI-
PATE IN THE SENATE ELECTION; THEIR SEATS ON THE LOCAL ELECTION
COUNCILS WOULD BE FILLED BY OTHER DEPUTIES. THE SPOKESMAN ALSO
REITERATED THE GVN POSITION THAT THE RVN CONSTITUTION REMAINS VALID
AND THAT THE GVN OFFICIALLY CONTROLS THE WHOLE TERRITORY OF SVN. HE
ADDED THAT THE ARGUMENTS PUT FORWARD BY THE TEN DEPUTIES "WOULD

MAKE IT IMPOSSIBLE FOR THE DEPUTIES TO CONTINUE IN THEIR CAPACITY AS REPRESENTATIVES OF THE PEOPLE."

E. FINAL POSTING OF CANDIDATES FOR UPPER HOUSE ELECTION
COMPLETED JULY 9

THE SECOND AND FINAL POSTING JULY 9 OF CANDIDATES FOR THE UPPER HOUSE ELECTION BROUGHT NO CHANGES EXCEPT IN SLATE NUMBER 4, THE "POPULAR SELF-DETERMINATION" SLATE. THREE CANDIDATES ON THAT SLATE WERE DISQUALIFIED, AND THEREFORE THE SLATE'S THREE LISTED ALTERNATES HAVE TAKEN THEIR PLACES.

WITH THE FINAL POSTING NOW COMPLETED, NO SLATE MAY WITHDRAW FROM THE ELECTION EXCEPT UNDER STRINGENT CONDITIONS. FOUR SLATES WILL COMPETE IN THE AUGUST 26 VOTING FOR THE 31 VACANT SEATS. EACH SLATE IS COMPOSED OF 16 MEMBERS. TWO SLATES WILL WIN, THE FRONT-RUNNER WITH ALL 16 MEMBERS AND THE OTHER WITH 15.

PART II. EXTERNAL

A. GVN/PRG BILATERALS MARK TIME

THERE WAS NO SUBSTANTIVE PROGRESS AT THE 15TH PLENARY SESSION OF THE GVN/PRG BILATERAL CONSULTATIONS HELD ON JULY 4. EACH SIDE'S PREPARED STATEMENT ATTEMPTED TO DISCREDIT THE OTHER'S PROPOSALS OF JUNE 28 WHILE UPHOLDING ITS OWN CONFIDENTIAL

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PLAN. IN TONE, THERE WAS A MARKED CONTRAST BETWEEN THE PRESENTATIONS: THE GVN USED A CONCILIATORY APPROACH, WHILE THE PRG DELIVERED STRIDENT PROPAGANDA AGAINST ALLEGED GVN-US VIOLATIONS OF THE CEASEFIRE. POST-SESSION PRESS CONFERENCES WERE IN THE SAME RESPECTIVE VEINS. IT WAS AGREED TO RECONVENE JULY 11.

B. FOREIGN MINISTER OFFICIALLY LEAVES OFFICE

FOREIGN MINISTER LAM OFFICIALLY LEFT HIS POST AS FOREIGN MINISTER ON JULY 8 TO RUN FOR THE SENATE (SAIGON 10967). AT A RECEPTION HE GAVE ON THIS OCCASION HE SAID HE CONSIDERED HIS CANDIDATURE WOULD TEST PUBLIC OPINION CONCERNING THE POLICIES HE PURSUED AS FOREIGN MINISTER. ON JULY 9 IT WAS ANNOUNCED THAT HE WOULD BE REPLACED BY MINISTER OF JUSTICE LE VAN THU ACTING CONCURRENTLY AS FOREIGN MINISTER. ACCORDING TO FOREIGN MINISTRY SOURCES, DAY TO DAY ACTIVITIES OF THE MINISTRY WOULD PROBABLY BE MORE CAREFULLY SUPERVISED BY NGUYEN PHU DUC, PRESIDENTIAL ASSISTANT ON FOREIGN AFFAIRS AND/OR HOANG DUC NHA, COMMISSIONER-GENERAL FOR INFORMATION AND PRESIDENTIAL PRIVATE SECRETARY, WITH THU MERELY STEPPING IN FOR HONORIFIC PURPOSES WHENEVER MINISTERIAL RANK WAS REQUIRED.

C. NEW FRENCH AMBASSADOR PRESENTS CREDENTIALS

THE NEW FRENCH AMBASSADOR TO VIET-NAM, JEAN-MARIE MERILLON, WHO IS ALSO THE FIRST FRENCH AMBASSADOR SINCE 1965 (SAIGON 10971, WEEKA) PRESENTED HIS CREDENTIALS TO PRESIDENT

THIEU ON JULY 3.

D. AUSTRALIAN PARLIAMENTARY DELEGATION VISITS VIET-NAM
AN AUSTRALIAN PARLIAMENTARY DELEGATION HEADED BY
THE MINISTER OF POSTS L.F. BOWEN ARRIVED IN VIET-NAM ON JULY 1
FOR A BRIEF VISIT.

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AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

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E. SEATO SECRETARY GENERAL VISITS VIET-NAM
SEATO SECRETARY GENERAL SUNTHON MANTHUKANONDH MADE
ANNUAL VISIT TO VIET-NAM JULY 2-5.

F. GVN REACTS TO SENEGAL'S RECOGNITION OF PRG
A MINISTRY OF FOREIGN AFFAIRS SPOKESMAN ON JULY 6 TOOK
NOTE OF THE REPORT OF SENEGALESE RECOGNITION OF THE PRG (SEE
BELOW) AND SAID THAT SUCH A STEP WOULD HARM GVN-SENEGALESE
DIPLOMATIC RELATIONS WHICH HAVE EXISTED SINCE 1960 AND
CONSTITUTED INTERFERENCE IN THE INTERNAL AFFAIRS OF SOUTH
VIET-NAM AT A TIME WHEN BOTH SOUTH VIETNAMESE PARTIES ARE
SEEKING A POLITICAL SETTLEMENT.

G. PRESIDENT THIEU TO TAKE ASIAN TOUR
A GVN SPOKESMAN ON JULY 5 TOLD THE PRESS THAT
PRESIDENT THEIU STILL INTENDS TO VISIT SOME ASIAN COUNTRIES
IN THE NEAR FUTURE BUT THAT THIS TRIP HAD BEEN DELAYED BY
THE PRESIDENT'S PREOCCUPATION WITH STATE AFFAIRS.

H. GVN ESTABLISHES EMBASSY IN JORDAN
PRESIDENT THIEU ON JULY 5 SIGNED A DEGREE ESTABLISHING
A GVN EMBASSY IN AMMAN, JORDAN. THIS EMBASSY IS BEING
ESTABLISHED TO MAINTAIN THE GVN'S STATUS IN THE ARAB WORLD
AFTER ESTABLISHMENT OF RELATIONS WITH ISRAEL (SAIGON 16274, '72).
IN AN ATTEMPT TO TAKE THE STING OUT OF LATTER STEP, THE
GVN INTENDS TO STAFF ITS EMBASSY IN AMMAN BEFORE THAT IN
JERUSALEM.

I. THAI FISHERMEN RETURNED TO THAILAND
ACCORDING TO A GVN SPOKESMAN THE GVN HAS FACILITATED
THE RETURN OF 200 THAI FISHERMEN TO THEIR HOME COUNTRY AFTER
THEY HAD BEEN ARRESTED AND HELD IN THE SOUTHERN PART OF
VIET-NAM FOR FISHING IN GVN WATERS (GVN CLAIMS 53 MILE EXCLUSIVE
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FISHING ZONE), AND THE THAI AMBASSADOR IN SAIGON HAS THANKED
THE VIETNAMESE AUTHORITIES FOR THEIR ACTIONS. THE SPOKESMAN'S
COMMENT ON JULY 8 WAS APPARENTLY MADE WITH REFERENCE TO
PRESS REPORTS THAT THAILAND IS SENDING WARSHIPS INTO THE GULF
OF SIAM TO PROTECT ITS FISHERMEN. ACCORDING TO AFP, THE GVN
EMBASSY IN BANGKOK ALSO FOUND IT NECESSARY TO PUT OUT A

STATEMENT TO THE EFFECT THAT THE GVN HAD INFORMED THE THAI GOVERNMENT LAST APRIL 5 OF ITS DECISION TO CLAIM A 53 MILE EXCLUSIVE FISHING ZONE.

J. KHMER EMBASSY AIRS PHNOM PENH'S PROPOSAL FOR PEACE TALKS

THE KHMER AMBASSADOR IN SAIGON HELD A PRESS CONFERENCE ON JULY 7 TO ANNOUNCE AND ANSWER QUESTIONS ON THE KHMER GOVERNMENT'S JULY 6 STATEMENT ON ITS POSITION WITH REGARD TO A NEGOTIATED SETTLEMENT OF THE WAR IN CAMBODIA.

K. LE DUAN AND COMPANY ARRIVE IN MOSCOW

THE TOP LEVEL NORTH VIETNAMESE DELEGATION HEADED BY VWP FIRST SECRETARY LE DUAN ARRIVED IN MOSCOW ON JULY 9. THE DELEGATION, WHICH ALSO INCLUDES PREMIER PHAM VAN DONG AND POLITBURO-MEMBER LE THAN NGHI, WAS GREETED BY BREZHNEV, KOSYGIN AND PODGORNYY. DETAILS ON THE DELEGATION'S PROGRAM OR ON ITS DISCUSSIONS WITH THE SOVIETS ARE NOT YET AVAILABLE. (COMMENT: SOVIET AID TO NORTH VIET-NAM WILL BE HIGH ON THE AGENDA OF THE TALKS AND HANOI WILL ALSO SEEK ASSURANCES OF CONTINUED SOVIET POLITICAL AND DIPLOMATIC SUPPORT IN THE WAKE OF BREZHNEV'S TRIP TO THE UNITED STATES. WHILE NO PUBLIC ANNOUNCEMENT TO THE EFFECT HAS BEEN SEEN, AN EMBASSY OFFICER WAS INFORMED BY A MEMBER OF THE POLISH ICCS DELEGATION THAT THE NORTH VIETNAMESE WOULD GO ON TO POLAND AFTER THE CONCLUSION OF THEIR MOSCOW VISIT. END COMMENT).

L. DRV-POLAND SCIENCE PACT SIGNED.

HANOI ANNOUNCED THAT ON JULY 6 A "SCIENTIFIC COOPERATION PLAN" FOR 1973-74 HAD BEEN SIGNED IN WARSAW. THE DRV DELEGATION, WHICH NEGOTIATED A SIMILAR AGREEMENT WITH THE EAST GERMANS LAST WEEK, HAS WRAPPED UP ITS EUROPEAN TOUR AND IS HEADED HOME.

M. HANOI REPORTS HUANG CHEN MEETING WITH PRESIDENT
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CITING "WESTERN REPORTS," HANOI'S VIETNAM NEWS AGENCY (VNA) NOTED THE JULY 6 MEETING BETWEEN PRESIDENT NIXON AND HUANG CHEN AT THE WESTERN WHITE HOUSE. VNA ALSO REPORTS A UPI DESPATCH IN WHICH DR. KISSINGER AFFIRMED THAT HE IS GOING TO PEKING IN AUGUST. THE VNA REPORT, IN ENGLISH, WAS NOT REPEATED BY HANOI RADIO'S DOMESTIC SERVICE.

N. HANOI CONDEMNS GVN'S "SELL OUT" OF NATURAL RESOURCES

RADIO HANOI ON JULY 5, REFERRING TO A RADIO MANILA BROADCAST, REPORTED THAT THE GVN HAD OPENED BIDS FOR OIL EXPLORATION IN VIETNAMESE TERRITORIAL WATERS. THE HANOI BROADCAST AVERRED THIS LATEST MOVE WAS PART OF A GVN "PLOT TO SELL OUT NATIONAL RESOURCES" TO "THE FOREIGN CAPITALISTS." RADIO HANOI WENT ON TO CITE A FEBRUARY 24, 1971 STATEMENT BY THE PRG FOREIGN MINISTRY WHICH CLAIMED THAT "ONLY THE SVN PEOPLE AND

THEIR GENUINE AND LEGAL REPRESENTATIVE ARE COMPETENT TO
DECIDE ON THE UTILIZATION OF THESE NATURAL RESOURCES," THAT
"GENUINE AND LEGAL REPRESENTATIVE" BEING, OF COURSE, THE
PRG.

O. AUSTRALIAN MINISTER IN HANOI
MINISTER FOR POST AND TELECOMMUNICATIONS
BOWEN LED AN AUSTRALIAN DELEGATION ON A "FRIENDSHIP" VISIT TO
NORTH VIET-NAM THE FIRST WEEK OF JULY. THE DELEGATION WAS
RECEIVED BY FOREIGN MINISTER TRINH ON JULY 6 AND HELD TALKS
DURING ITS STAY WITH PHAN MY, DIRECTOR OF CABINET AT THE
PREMIER'S OFFICE. THE TALKS WERE SAID TO HAVE BEEN CONDUCTED
IN "AN ATMOSPHERE OF FRIENDSHIP AND MUTUAL UNDERSTANDING."
BOWEN AND HIS GROUP LEFT HANOI ON JULY 7.

P. PRG-YUGOSLAVIA SIGN AID PACT
THE VIET CONG AND YUGOSLAVIA SIGNED AN AGREEMENT
ON JULY 2 COVERING YUGOSLAVIAN "NON-REFUND AID" TOWARD THE
RECONSTRUCTION OF COMMUNIST-HELD AREAS OF SOUTH VIET-NAM.
VICE FOREIGN MINISTER JAKSA PETRIC SIGNED FOR
YUGOSLAVIA, AMBASSADOR LAM VAN HUU FOR THE VIET CONG.

Q. SENEGAL RECOGNIZES PRG
DAKAR'S 2783 REPORTED THAT SENEGAL ANNOUNCED ON
JULY 4 THAT IT HAD RECOGNIZED THE VIET CONG'S "PRG." NO
ANNOUNCEMENT OF THE RECOGNITION HAS BEEN NOTED IN VIETNAMESE
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COMMUNIST MEDIA. (FOR GVN REACTION TO SENEGALESE RECOGNITION
OF "PRG" SEE ABOVE.)

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III. ECONOMICS

A. PRICES

FOR THE TENTH CONSECUTIVE WEEK THE USAID RETAIL PRICE INDEX MOVED UPWARD. FOR THE THIRD CONSECUTIVE WEEK THE INCREASE EXCEEDED 2 PERCENT. THE INDEX AS A WHOLE IS UP 2.5 PERCENT FOR THE LAST WEEK, 8.2 FOR THE LAST MONTH AND 25.1 PERCENT SINCE THE YEAR'S END. EXTRAORDINARY PRESSURE AGAINST RICE PRICES CAUSED THE STEEPEST ONE WDVK PERCENTAGE INCREASE SINCE NOVEMBER 15, 1971 AND THE SECOND LARGEST INCREASE SINCE THE WEEK OF NOVEMBER 3, 1969 WHICH WAS THE SINGLE LARGEST INCREASE ON RECORD. INDICATIONS AS OF COB JULY 10 ARE THAT RICE PRICES ARE CONTINUING TO RISE SHARPLY. WIDESPREAD CONFUSION AND PRICE-HEDGING ACTIONS

OVER THE NEWLY INITIATED VALUE ADDED TAX COMBINED WITH NEW REPORTS OF SUSPENSION OF THAI RICE EXPORTS TO HONG KONG AND SINGAPORE (WITH CONSEQUENT VERY STEEP PRICE RISES IN THOSE CITIES), AREA-WIDE SHORTAGES AND EXAGGERATED TRADE RUMORS OF LEGITIMATE GVN RICE EXPORTS TO ASSIST THE KHMER REPUBLIC, AS WELL AS UNVERIFIED REPORTS OF INCREASED CROSSBORDER ILLEGAL RICE TRAFFIC, WITH CAMBODIA, ARE THE MAJOR REASONS FOR THE INCREASE. ALL OTHER FOOD PRICES REMAINED REASONABLY STABLE. CIGARETTE PRICES ROSE 7 PERCENT FOLLOWING AN OFFICIAL PRICE INCREASE OF 10 PERCENT.

B. BLACK MARKET CURRENCY AND GOLD PRICES

THE BLACK MARKET CURRENCY RATE FOR \$100 GREEN MOVED UP TO THE OFFICIAL RATE (500.1). \$10 GREEN REMAINED BELOW IT AT 495.1. QUOTES FOR 24 CARAT GOLD ROSE FROM 52,800 PIASTERS PER TAE JULY 2 TO 53,400 JULY 9, THE EQUIVALENT OF \$7 88.58 PER TROY OUNCE. A TROY OUNCE OF 24 CARAT GOLD WAS QUOTED AT \$US124.40
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ON JULY 6 IN HONG KONG, A DIFFERENCE OF \$US35.82 PER TROY OUNCE.

C. FRENCH ECONOMIC MISSION

A FRENCH ECONOMIC MISSION LED BY FORMER MINISTER AND GAULLIST DEPUTY, FRANCOIS MISSOFFE, IS WINDING UP AN ELEVEN DAY VISIT TO VIETNAM. THE MISSION TRAVELED WIDELY AND MET WITH A FULL RANGE OF GVN AUTHORITIES. RESULTS OF MISSION ARE NOT YET FIRMLY KNOWN, BUT IT APPEARS THE FRENCH ARE READY TO COMMIT 100 MILLION FRANCS IN CREDIT TO THE GVN. THIS WOULD BE IN ADDITION TO A PROPOSED LOAN OF 134 MILLION FRANCS FOR EXPANSION OF THE HA TIEN CEMENT FACTORY. THE FRENCH ARE ALSO PLANNING TO GIVE 10 MILLION FRANCS IN HUMANITARIAN ASSISTANCE. A GVN DELEGATION WILL VISIT PARIS IN SEPTEMBER TO FINALIZE A LOAN AGREEMENT. NO PUBLIC ANNOUNCEMENT OF PROPOSED CREDIT IS EXPECTED UNTIL THEN.

D. AID DONORS MEETING

THE MINISTRY OF PLANNING HELD ITS SEMI-ANNUAL MEETING WITH THE CHIEFS OF MISSION OF DONOR COUNTRIES ON JULY 7. GVN OFFICIALS REVIEWED EXTERNAL ASSISTANCE IN 1972, AND PROSPECTS FOR 1973. THEY ALSO PRESENTED THE SPECIAL PROGRAM FOR NATIONAL REHABILITATION, RECONSTRUCTION AND DEVELOPMENT. THIS IS COSTED AT VN\$62 BILLION AND REPRESENTS THE FIRST PHASE OF THE GVN'S EIGHT-YEAR DEVELOPMENT PROGRAM. THE PROGRAM EMPHASIZES REFUGEE AND RESETTLEMENT COSTS, AND RECONSTRUCTION OF WAR-DUJAGED INFRASTRUCTURE.

COMMENT: WHILE THE WRITTEN REPORT ON THE SPECIAL PROGRAM IS ONE OF BEST WE HAVE SEEN HERE, THE ORAL PRESENTATION WAS POOR AND DIPLOMATS ATTENDING THAT MEETING THAT WE HAVE TALKED WITH WERE VERY DISAPPOINTED. THERE WAS VIRTUALLY NO DISCUSSION OF HOW PROGRAM WILL BE FINANCED.

E. DIVESTITURE OF THE VIETNAM SUGAR COMPANY DEFERRED
AN IMPENDING CHANGE IN VIETNAM'S SUGAR POLICY HAS LED

TO A DEFERRAL OF THE DIVESTITURE OF THE VIETNAM SUGAR COMPANY,
A GOVERNMENT MONOPOLY, WHICH HAD BEEN SCHEDULED FOR JULY 31, 1973.
PROSPECTS OF A MAJOR IMPORT CUT TO ACCOMMODATE TO MORE LIMITED
FOREIGN EXCHANGE RESOURCES MAKE IT IMPERATIVE THAT VIETNAM EMBARK
WITHOUT DELAY ON AN EFFECTIVE POLICY AIMED AT REDUCING AND EVEN-
TUALLY ELIMINATING IMPORTS OF THIS COMMODITY WHICH CURRENTLY
ACCOUNT FOR SOME US\$60 MILLION A YEAR. A RESTRICTIVE POLICY ON
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SUGAR AND UTILIZATION OF THE COMPANY'S RESERVES FOR THE DEVE-
LOPMENT AND OF A DOMESTIC SUGAR INDUSTRY WITH LITTLE OR NO DIVIDENDS
AVAILABLE TO SHAREHOLDERS MIGHT OPEN UP A CONFLICT OF INTEREST
BETWEEN THE GOVERNMENT AND THE NEW OWNERS. THE COMPLEXITY
OF THE ISSUES INVOLVED AND THE NEED FOR CONTINUED TIGHT GOVERNMENT
CONTROL OF VIRTUALLY ALL PHASES OF THE INDUSTRY HAVE RAISED GRAVE
DOUBTS AS TO THE PURPOSE AND THE ADVISABILITY OF PROCEEDING WITH
DIVESTITURE AT THIS TIME. CONSEQUENTLY, THE MINISTER OF PLANNING
HAS DECIDED TO DEFER THIS MOVE. INSTEAD, DIVESTITURE PREPARA-
TIONS WILL BE INITIATED FOR SICOVINA, A TEXTILE COMPANY.
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